



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Colorado City
Charter Number 17486**

**2225 Hickory
Colorado City, TX 79512**

**Comptroller of the Currency
ADC-Austin
8310 North Capital of Texas Highway, Suite 250
Austin, TX 78731-1080**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREA	2
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	3

INSTITUTION'S CRA RATING

This institution is rated **“Satisfactory.”**

The First National Bank (FNB) of Colorado City's lending performance is satisfactory given its size, financial condition, and the known credit needs in its assessment area (AA).

- The loan-to-deposit (LTD) ratio is satisfactory and averaged 33% since our last examination. This performance is in line with the other competing bank headquartered in FNB's AA.
- A majority of FNB's loans are within its AA.
- The distribution of loans to individuals of varying incomes and businesses of different sizes reflects a reasonable penetration.
- There have been no complaints with respect to FNB's performance relative to the Community Reinvestment Act (CRA).

The following pages further describe FNB's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a \$26 million bank headquartered in Colorado City, Texas, approximately 60 miles west of Abilene, Texas. This single office includes a drive-through facility.

The institution's primary focus is to promote economic development in its AA through its lending programs and community involvement. FNB's market niche is small business, agricultural, and consumer loan products. The following reflects a breakdown of FNB's loan portfolio as of March 31, 2003.

Loan Type	Dollar Amount \$ (000)	% of Total Loans
Commercial and Industrial	5,672	51.1
Agricultural Production	1,613	14.5
Consumer	1,548	14.0
RE Residential (1-4)	1,281	11.6
RE Nonfarm Nonresidential	496	4.5
RE Farmland	335	3.0
Real Estate (RE) Construction	124	1.1
Other	25	0.2
Total	11,094	100.0%

Banking services are provided Monday through Friday at the main office and Saturday at the drive-through facility. FNB faces competition from area banks and credit unions. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. At the last CRA examination in January 1999, the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Mitchell County as its AA. Mitchell County is sparsely populated with a population of 8,000. Principal communities located in the AA include Colorado City, Westbrook, and Loraine. Mitchell County is made up of three census tracts that surround and include FNB's office. The 1990 census data indicates that all three census tracts are middle-income areas. The following table further describes the bank's AA.

Demographic and Economic Characteristics of AA	
<i>Population</i>	
Number of Families	2,213
Number of Households	3,058
<i>Geographies</i>	
Number of Census Tracts/BNA*	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	3
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	21,826
2002 HUD-Adjusted MFI	36,100
<i>Economic Indicators</i>	
Unemployment Rate	2.62
2002 Median Housing Value	25,961
% of Households Below Poverty Level	23.22

* BNA = Block Numbering Area

The local economy is considered stable. Major employers in the AA include the Colorado City Independent School District, Texas Department of Criminal Justice Prison System, and the Mitchell County Hospital. In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local city official during this examination. The contact stated that FNB is active in the community and responsive to the credit needs in Mitchell County. The contact also stated that she was unaware of any unmet credit or servicing needs in Colorado City.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's LTD ratio is satisfactory, given its asset size, financial condition, and lending opportunities within its AA. The LTD ratio has averaged 32.8% during the 17 quarters since our last examination. To better understand the bank's performance, we conducted an LTD analysis on three other similarly situated banks. LTD ratios for these banks ranged from 49% to 29%, and the average LTD was 37% over the same period.

Institution	Assets As Of 03/31/2003	Average LTD Ratio %**
Snyder NB – Snyder	105,075	29.42
Roscoe State Bank - Roscoe	50,908	49.46
City NB - Colorado City	59,247	32.79
<i>FNB - Colorado City</i>	<i>26,161</i>	<i>32.80</i>

Lending in AA

A majority of the bank's loans are within its AA. Using bank-prepared reports, an analysis of lending patterns within the AA was performed. The reports detailed include loans originated and outstanding as of March 31, 2003. The following table illustrates and summarizes FNB's distribution of total loans in and out of the current AA.

TOTAL LOANS REVIEWED								
	In Assessment Area				Out Of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Loans	394	81.2%	\$5,607	50.7%	91	18.8%	\$5,462	49.3%

Given FNB's size, its location in a sparsely populated rural community, and a lack of significant loan demand in Mitchell County, it is not surprising that a large portion of the dollar amount of loans were outside the bank's AA. Our review of FNB's lending practices revealed no evidence of illegal discrimination. We disclosed no instances where management arbitrarily excluded low- to moderate-income (LMI) individuals or families from the AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The loan portfolio reflects a reasonable distribution of personal and business loans among individuals of various income levels and businesses of different sizes. In order to assess the bank's performance in this criteria, we obtained income information from our sample of 20 business loans and 20 consumer loans in the bank's AA that originated since our prior examination. As indicated in the chart below, FNB has a satisfactory distribution of consumer loans among LMI borrowers in relationship to the demographics of the AA.

CONSUMER								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>% of AA Households²</i>	30.2		16.2		16.8		36.8	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	15.0%	12.6%	15.0%	16.2%	35.0%	18.3%	35.0%	52.9%

FNB originates commercial loans in a manner that is similar to area demographics. The bank's distribution of loans to small businesses with revenues less than \$1 million is reflective of FNB's focus on providing loans to small businesses.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95.7%	4.3%
% of Bank Loans in AA #	85.0%	15.0%
% of Bank Loans in AA \$	86.9%	13.1%

Geographic Distribution of Loans

As previously mentioned, the three census tracts located within FNB's AA are classified as middle-income. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

Response to Complaints

FNB has received no complaints relating to its CRA performance.

Fair Lending Review

FNB has not been subjected to a Fair Lending review. No consumer complaints are on record and our review of consumer files provided no indication of disparate treatment.